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because of the diversified risk incident to the type of merchandising make a strong appeal to careful investors.

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FINANCIAL NEWS AND THE SITUATION

Sensational Break in Foreign Exchange the Governing Factor.

GOOD RALLIES IN STOCKS

Dominating Influences in the Markets for Money and Investments.

BY WILLIAM JUSTUS BOIES.

In the course of the heavy stock market liquidation that has taken place during the last fortnight securities have passed into strong hands and the situation has been relieved by the elimination of thousands of top heavy speculative accounts. In this way the technical position of the stock market has been strengthened and the loan account has been purified in a manner to bring joy to the hearts of the six members of the Federal Reserve Board.

It has been an interesting process typically American, and suggestive of the willingness of the trading public to accept conditions as they are and not to force the rising price movement against the odds of an overwrought labor situation, a national crusade against profiteering, the serious complications of an upset foreign exchange market and the curious tangle before the League of Nations and the peace compact.

Fall in Exchange.

Wall Street has given a good account of itself in the midst of this confusion which is largely in the nature of a worldwide nervous reaction to the extreme fluctuations in the foreign market brought about. The situation has been made worse by the heavy losses resulting from the fall in European exchange, which has made it almost impossible for that portion of the world that is eager to send up lucrative business to maintain trade relations with the United States.

The dollar has a new meaning to us-to-day because of the \$500,000 loss taken by Chicago banks from last Wednesday's sudden drop in London exchange and the numerous instances where Kansas City foodstuff exporters and shippers in this and other cities have been paid only for their flour to insist that foreign buyers should furnish dollar credits in settlement of their indebtedness instead of sterling bills.

The demoralization in the foreign exchange market has reached a stage where Sir George Paish's prediction of an ultimate 4% level for the pound sterling has almost been fulfilled, for the 14½% level touched last Wednesday was the lowest quotation ever known. This situation has caused British holders of American securities to ship them to this market, for the high premium of dollar credits probably has much more to do with whatever depreciation has taken place as compared with the pre-war price level.

Some of these offerings have resulted in large sales to bond houses at considerable recessions from market quotations. Inasmuch as the foreign holdings of our securities have been materially reduced, the consequence of the enormous liquidation that has taken place during the war period, the chances are that the foreign selling movement cannot be greatly extended.

The situation would be relieved if a reversal movement should set in with the development of a broad demand on the side for British and French securities. But the volume of transactions so far has been insignificant compared with the volume of sales which would be required to create London exchanges in sufficient quantity to stay the declining tendency of the market for London bills.

Mr. Asquith's Remedy.

British sentiment has been much depressed by this further break in London exchange and the depreciation of the pound sterling. The desire to get rid of the business to the United States. The movement has caused much discussion abroad as to the chief causes back of the decline and the feeling of English financiers is that the remedies lie in increasing production, bettering shipping facilities and demobilizing industry as quickly as possible. The conditions may obtain. Mr. Asquith, the former Premier of Great Britain, sized up the situation the other day in these words:

"The prime economic need at this moment of mankind is that production should be increased until the maximum output is obtained. What is true at home in a domestic sphere not only applies to the international conditions which are equally true in the International sphere."

It has been pointed out to London, however, that it will be difficult to reduce public expenditures so long as hostilities between the smaller nations call for large military reserves with immense naval outlays. The situation hurts the pride of the average Englishman, however, for the pound sterling for centuries past has been the most highly prized form of international remittance, with a broader market than any other till enjoyed.

To see it quoted at the lowest level on record has caused London to feel that the restoration of the exchange rate must be the chief aim of British bankers from now on. The British Government has not acted to stay the decline, and unless the situation should change radically it is not expected that the old "pegging process" will be re-summed.

Of More Importance to U. S.

But the need of stabilizing the English exchange rate is in some respects of more pressing importance to this country than to Great Britain, for the reason that the expansion of our foreign trade is dependent upon the ability of European buyers to purchase New York exchange on a reasonable basis. Effective measures must be taken by either the Government authorities or by private firms, or by both, in order to relieve this tension for the time being, to supply the necessary credit for the financing of our trade, this country will miss the most favorable foreign trade opportunity it has ever had.

There is an immense volume of foreign orders held in abeyance by the failure of our credit institutions to provide adequate credit facilities for the customers of American firms to resort to.

The Federal Government has done nothing on its own account, and the committee of twenty-five bankers appointed in June to consider the formation of a nation-wide syndicate is understood to have stopped negotiations pending the conference with the President about the best course to pursue.

There have been informal discussions with the Federal Reserve Board and with international bankers of this city, but so long as the peace compact was under consideration at Washington it has been virtually impossible for the bankers to take any satisfactory action by the Government officials. The time has been that except for individual credits extended by the United States Steel Corporation and other large exporters, together with the balances growing out of the foreign bond issues placed here, nothing has been done to finance the

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VANADIUM
COMPANY

It is reported that Allan A. Ryan, Charles M. Schwab and J. Leonard Replege have acquired the American Vanadium Company, which will be organized under the above name.

Particulars on the company's business and the domination of the field for its product is reviewed in the current issue of the "FINANCIAL FORECAST."

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Week Ended August 23, 1919.

Sales for week.

1919. 1918. 1917. 1919. 1918. 1917.

5,418,243 1,322,284 2,820,900 194,319,420 86,645,581 120,272,995

January 1 to date.

1919. 1918. 1917.

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